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Attorney's Docket No.: 13466-002005

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REMARKS

Claims 11-24 remain pending and under consideration. Claim 21 is independent. Claims 11-20 and 23-24 have been withdrawn from consideration, and withdrawn claims 11 and 19 have been amended. Claim 21 is currently amended. Reconsideration and allowance of this application are respectfully requested.

Examiner Interview

Applicant thanks Examiner Fischetti for the interview conducted with Applicant's representative, John Phillips, on May 10, 2006. An agreement was reached concerning the objections to the use of terms, "topographical" and "asynchronous." With respect to the use of "topographical," the claims have been amended to remove that term to obviate the Examiner's concerns. With respect to the use of "asynchronous," the Examiner agreed that the specification supports the term at least on pg. 30, ll. 10-13.

Rejections Under 35 U.S.C. § 112, 1st ¶

Claims 21 and 22 stand rejected under 35 U.S.C. § 112, 1st ¶ as allegedly failing to comply with the enablement requirement. Specifically, the Office Action asserts that claims 21-22 "claim a feature not disclosed in the specification" and "fly in the face of applicant's clear statement that the invention provides a trusted means through the intermediary of trusted licensees or franchisers of the software and hardware necessary to create and operate a consignment node, which is inconsistent with the seller participant interface control." See Office Action Dated February 08, 2006, pg. 3, 1st ¶. The Applicant traverses the contentions and their underlying reasoning.

With respect to the first contention, the specification fully supports claims 21-22. The Examiner asserts that "the computer system recited in claim 21 is operated and owned to the exclusion of the seller participant." Office Action Dated February 08, 2006, pg. 2, 2nd ¶ - pg. 3, 1st ¶. However, this is not an accurate interpretation since the computer system is not necessarily operated to the exclusion of the seller participants. The Examiner mistakenly focuses only on a

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single one of the embodiments disclosed and supported in the specification. As clearly described in the specification, the consignment user is able to take "postings from other consignment node users *or individuals over the network, as discussed below.*" (Emphasis added) Applicant's specification page 8, l. 1. And discussed below is "a low cost portable 'posting' terminal to allow the virtual presentment of goods to market" and that "[t]he user selects an icon on a graphical user interface generated by the posting terminal software to pull the digital pictures from the digital camera." Applicant's specification, pg. 26, 2nd ¶ - pg. 27 2nd ¶. Therefore, a plurality of individual sellers can post goods for sale to the consignment node computer using the posting terminals.

In addition, the specification provides that "[t]he participant may then be presented with the choice of directing the delivery of the Frank Robinson card to a desired location or *may choose to post a new reserve or offer price for the card and direct the card to remain in the possession of the consignment node user. Thus, the consignment node allows a participant to speculate on the price of the Frank Robinson card and establishes an electronic market for the Frank Robinson card.*" (Emphasis added.) Applicant's specification, pg. 9, ll. 3-8. Here, the buyer participant has become a seller participant to post the purchased good for sale at the consignment node.

Also, "[f]or a rare good, a good in a volatile market, or a good's initial posting the consignment node user *or participant* may wish to auction the good, with or without reserve, to the highest bidder." In setting the reserve price, "the node user *or the good's participant owner* may enter a protected data field a confidential reserve price for the auction mode" and "[t]he consignment node user *or good's participant owner* may establish, in a data record that represents the good, a desire for the item to be auctioned." (Emphasis added.) Applicant's specification, pg. 10, 1st ¶. Thus, the individual participant seller (owner of the good) is allow to post goods for auction and set reserve prices if desired.

Further, the specification discloses that "[b]y the interaction of *a plurality of participants buying and selling collectibles on a consignment node, posting 'buy at' and 'sell at' quantities and prices* the consignment node may establish a market or become a 'market maker' for

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collectable goods.” (Emphasis added.) Applicant’s specification, pg. 5, 2nd ¶. Thus, the seller participants are authorized to post goods for sale and interacts with buyer participants.

With respect to the second contention, claims 21-22 do not contradict the claimed trusted network or system. The specification discloses that “certain selections form the market category 940 and subcategory fields may be ‘greyed’ or that is blocked from selection by a posting terminal 700 user to enforce a franchise and/or license grant that only allows posting in a certain field. This may allow a franchising scheme that restricts a franchisee to a field of use and/or category of goods.” Applicant’s specification, pg. 28, ll. 21-26. Therefore, allowing the seller participants to interface with the graphical user interface to post goods for sale does not violate the trusted network or system.

In addition, the trusted network or system in the Applicant’s specification is enforced by imposing “[r]ules and procedures” based on “licensing and franchise agreements,” and the rules may include “requirements that all goods posted must be physical and legal possession of the posting terminal franchisee or licensee, that legal possession of a good may be obtained by lawful ownership or through a franchise approved bailment or consignment contract.” Thus, the seller participant can be a licensee or franchisee in the trusted network or system in the Applicant’s disclosure.

For at least these reasons, the specification enables the claimed elements of claims 21-22, and the Examiner’s contentions are traversed.

Rejections Under 35 U.S.C. § 112, 2nd ¶ and Objections to Specification

Claims 21 and 22 stand rejected under 35 U.S.C. § 112, 2nd ¶, for the reason set forth at page 3 of the office action. The claims have been amended to delete all instances of the term “topographical” to obviate this rejection and objection.

The Examiner also asserts that the claim term “asynchronous” is not found in the specification. Applicant traverses the contentions. The specification specifically discloses that “a PC user logged into the consignment node via an X.25 virtual channel may require a host PAD driver in the consignment node to communicate *asynchronously* to the PC terminal

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interface application." Applicant's specification, pg. 20, ll. 23-25. In addition, the specification also discloses that "[t]he ability of the posting terminal 700 to store and select records for posting *asynchronously* from when a record is created allows a user to compose records when the posting terminal is isolated from communication with a market maker computer 800."

Applicant's specification, pg. 30, ll. 10-13. Therefore, the recitation of "asynchronous" in the claims is not new matter and is fully supported by the specification.

Rejections Under 35 U.S.C. § 103(a)

Claims 21 and 22 stand rejected under 35 U.S.C. 103(a) as allegedly being unpatentable over U.S. Patent No. 5,285,383 to Lindsey et al. ("Lindsey") in view of eBay and U.S. Patent No. 5,285,383 to Chadima Jr. et al. ("Chadima"). The rejections and their underlying rationales are traversed.

I. The So-Called "E-bay 9/1995" Reference is Not Prior Art and Cannot Be Relied on to Reject the Claims

Reference U on the Notice of References Cited attached to the office action ("eBay, www.ebay.com, SEC disclosure," 26 pages) is not prior art under any category of 35 USC 102 and thus cannot be applied against the claims. A review of the footers of the 26 pages printed out by the Examiner reveal that they were retrieved from <http://web.archive.org> and correspond to webpages pages purportedly hosted by eBay in 1999 and 2001, dates well after this application's priority date. As such, they are not prior art under any category of 35 USC 102.

Nor does that fact that the Examiner printed out a page noting that eBay was "[f]ounded in September 1995" (Ref. U at page 1) change that outcome. Rather, that statement simply refers to the fact that eBay alleges that "The Company was formed as a sole proprietorship in September 1995" (*id.* at page 14) and says nothing about whether eBay had *any* system up and running as of the date, much less whether it had a web site such as that shown in pages 3-6 of Ref. U. To the contrary, the web archive upon the Examiner relies noticeably has *no* eBay webpages archived earlier than 1997, and the single archived page from that year clearly does

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not disclose or suggest any categories or subcategories. Apparently, the only suggestion of what eBay may have looked like in that timeframe is provided by Reference A533 (supplied by eBay in the course of a patent litigation proceeding against Applicant, MercExchange), which was cited by Applicant in the Information Disclosure Statement filed in this application on September 4, 2003.

Accordingly, in view of the fact that Ref. U is not prior art, the prior art rejections made in the office action are fatally defective and must be withdrawn.

II. Parent Application Serial No. 08/427,820, Filed April 26, 1995, Provides Support For Categorically Organized Auctions

Contrary to the Examiner's assertion in footnote 1 at page 6 of the office action, the parent application serial no. 08/427,820, filed April 26, 1995 ("the '820 application"), does in fact provide support for "categories / subcategories input at the interface and using same to link to items in auction." For example, the '820 application discloses in connection with Figure 8 the following, which clearly supports the subject matter in question:

"The market 450 may be selected from the consignment node main menu, see figure 2, to allow a participant to browse the consignment node goods database. The market 450 will display to the participant market categories 452, categories may be defined by the consignment node user to reflect the specialization of his consignment node and the specialized markets or miscellaneous markets for his goods. The consignment node then gets the participants response 454 to the market choices. The consignment node may then display market sub-categories 456. Again, the consignment node user may specify market sub-categories to reflect the specialization of the consignment node."

This is but one example of supporting disclosure from the parent application, but it clearly satisfies the legal requirements of providing sufficient support to obtain benefit of the '820 application's filing date of April 26, 1995. Nevertheless, Applicant reserves the right to submit further argument and expert declaration evidence of that fact if the Examiner persists in the contrary, though incorrect, assertion.

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III. The Examiner's Use of Official Notice is Improper

In the present Office Action, the Examiner concedes that the system described in Lindsey lacks several elements of the claim 21. Specifically, the Examiner acknowledges that Lindsey fails to disclose "the computer system generating a data header that contains a user identification code corresponding to the plurality of remote participant seller and an authorization password" See Office Action Dated February 08, 2006, pg. 5, 1st ¶. Lindsey fails to disclose the elements because Lindsey fails to disclose or suggest an *internet-based auction system* as required in claim 21. In fact, the Examiner concedes that Lindsey also fails to disclose the *internet-based auction system* as required in claim 21. See, Office Action Dated February 08, 2006, pg. 6, 1st ¶. Because the network in Lindsey is a closed system and not open to the public (i.e., not internet-based), Lindsey does not need to require the use of *authorization password* in the data header. In contrast, the *internet-based auction system* as required in claim 21 is open to the public and allows authorized users to authenticate onto the system using an *authorization password* associated with each user.

However, the Examiner purports to take Official Notice that each of these missing system components is old and well known in the art and that a person of ordinary skill in the art would have been motivated to modify the Lindsey system to include such missing system components. Also, the Examiner purports to take Official Notice without any reference in support of the assertions, but rather apparently is basing these assertions on his own purported personal knowledge. The Applicant disagrees with the Examiner's conclusory contentions. First, as a legal matter, the contention lacks the support required under *In re Sang Su Lee*, 277 F. 3d 1338 (Fed. Cir. 2002).

Thus when [examiner and the Board] rely on what they assert to be general knowledge to negate patentability, that knowledge must be articulated and placed on the record. The failure to do so is not consistent with either effective administrative procedure or effective judicial review. The board (sic) cannot rely on conclusory statements when

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dealing with particular combinations of prior art and specific claims, but must set forth the rationale on which it relies. *Id.* at 1345 (emphasis added).

To make a proper rejection, then, the Examiner is obligated to make necessary findings and to provide an administrative record showing the evidence on which the findings are based, accompanied by the reasoning used to reach those conclusions. *See id.* at 1342. Omission of a factor relevant to patentability is both legal error and arbitrary agency action. *See id.* at 1345. Here, the Examiner's rejections are based on unsupported allegations about what is well known. Such rejections are contrary to binding Federal Circuit law because no rationale for them has been placed on the record. The Examiner's contention of what is "well known" is similar to the Board's improper general conclusion about "basic knowledge" in *In re Zurko*, 258 F. 3d 1379 (Fed. Cir. 2001).

This assessment of basic knowledge and common sense was not based on any evidence in the record and, therefore, lacks substantial evidence support ... With respect to core factual findings in a determination of patentability, ... the Board cannot simply reach conclusions based on its own understanding or experience -- or on its assessment of what would be basic knowledge or common sense. Rather, the Board must point to some concrete evidence in the record in support of these findings.

Id. at 1385-86.

Similar to the Board's improper action in *In re Zurko*, the Examiner has not pointed to concrete evidence in the record to support the contention. Therefore, the rejection is based on a legal error and should be withdrawn.

In the absence of documentary evidence, the Examiner should only take official notice of facts asserted to be "well-known" if those facts are capable of instant and unquestionable demonstration as being well-known.

It would **not** be appropriate for the examiner to take official notice of facts without citing a prior art reference where the facts asserted to be well known are not capable of instant and unquestionable demonstration as being well-known.

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For example, assertions of technical facts in the areas of esoteric technology or specific knowledge of the prior art must always be supported by citation to some reference work recognized as standard in the pertinent art.

M.P.E.P. § 2144.03(A) (8th ed. May 2004) (emphasis in the original).

If the Examiner is relying on personal knowledge to support the finding of what is known in the art, the Examiner must provide an affidavit or declaration setting forth specific factual statements and explanations to support the finding. See 37 C.F.R. § 1.104(d)(2) (May 2004).

Accordingly, the Applicant respectfully calls upon the Examiner to produce an affidavit or declaration to support the alleged facts of which the Examiner has taken official notice. See 37 C.F.R. § 1.104(c)(2).

IV. The 103 Rejection is Fatally Defective and Must Be Withdrawn

As discussed above, the so-called "E-bay 9/1995" reference is not prior art and thus cannot be applied in rejecting the claims of this application. Because the entire 103 rejection hinges on this non-prior art reference, the rejection is defective *ab initio* and must be withdrawn.

V. Dependent Claim 22 is Patentable

Claim 22 depends from claim 21 and thus is patentable for at least the reasons set forth with respect to claim 21 above.

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VI. Conclusion

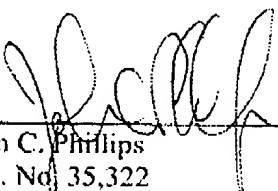
It is believed that all of the pending claims have been addressed. However, the absence of a reply to a specific rejection, issue or comment does not signify agreement with or concession of that rejection, issue or comment. In addition, because the arguments made above may not be exhaustive, there may be reasons for patentability of any or all claims (or other claims) that have not been expressed. Finally, nothing in this paper should be construed as intent to concede any issue with regard to any claim, except as specifically stated in this paper.

For the foregoing reasons, claims 21-22 are in condition for allowance, and a notice to that effect is requested.

Please apply the fee of \$1,020 for three-months Extension of Time, and any other required charges or credits to Deposit Account 06-1050.

Respectfully submitted,

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